

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Hillsdale County Parks Commission	County Hillsdale
Audit Date December 31, 2004	Opinion Date May 5, 2005	Date Accountant Report Submitted to State: June 24, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

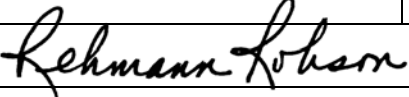
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA			
Street Address 5800 GRATIOT, PO BOX 2025	City SAGINAW	State MI	Zip 48605
Accountant Signature 			

HILLSDALE COUNTY PARK COMMISSION

Hillsdale, Michigan

FINANCIAL STATEMENTS

For The Year Ended December 31, 2004



REHMANN ROBSON

Certified Public Accountants

HILLSDALE COUNTY PARK COMMISSION

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INDEPENDENT AUDITORS' REPORT

May 5, 2005

Members of the Board of County
Park Commissioners
County of Hillsdale, Michigan
Hillsdale, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the **HILLSDALE COUNTY PARK COMMISSION**, a special revenue fund of Hillsdale County, Michigan, as of and for the year ended December 31, 2004, which collectively comprise the Park Commission's financial statements, as listed in the table of contents. These financial statements are the responsibility of the Hillsdale County Park Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements present only the Hillsdale County Park Commission Special Revenue Fund of the County of Hillsdale, Michigan, and do not purport to, and do not present fairly the financial position of the County of Hillsdale, Michigan, and the changes in its financial position of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the **Hillsdale County Park Commission** as of December 31, 2004, and the respective changes in financial position thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2005, on our consideration of the **Hillsdale County Park Commission's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Commission has not presented Management's Discussion and Analysis as required supplementary information. The Governmental Accounting Standards Board has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

BASIC FINANCIAL STATEMENTS

HILLSDALE COUNTY PARK COMMISSION

STATEMENT OF NET ASSETS AND GENERAL FUND BALANCE SHEET

December 31, 2004

<u>ASSETS</u>	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Cash and cash equivalents	\$ 37,039	\$ -	\$ 37,039
Interest receivable	59	-	59
Capital assets			
Assets not being depreciated	-	3	3
Assets being depreciated	-	228,096	228,096
<u>TOTAL ASSETS</u>	<u>\$ 37,098</u>	<u>228,099</u>	<u>265,197</u>
<u>LIABILITIES AND FUND EQUITY</u>			
Liabilities			
Accounts payable	\$ 407	\$ 5,360	\$ 5,767
Accrued wages and taxes	1,076	-	1,076
Advances and deferred revenue	5,831	-	5,831
Due to other funds of Hillsdale County	5,360	(5,360)	-
Total liabilities	<u>12,674</u>	<u>-</u>	<u>12,674</u>
Fund balance/Net Assets			
Fund balances:			
Unreserved, undesignated	24,424	(24,424)	-
Total liabilities and fund balance	<u>\$ 37,098</u>		
Net assets			
Investment in capital assets, net of related debt		228,099	228,099
Unrestricted		24,424	24,424
Total net assets		<u>\$ 252,523</u>	<u>\$ 252,523</u>

The accompanying notes are an integral part of these financial statements.

HILLSDALE COUNTY PARK COMMISSION

Reconciliation of General Fund Balance Sheet to Statement of Net Assets

DECEMBER 31, 2004

Fund balances - General Fund	\$ 24,424
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>228,099</u>
Net assets of governmental activities	<u><u>\$ 252,523</u></u>

The accompanying notes are an integral part of these financial statements.

HILLSDALE COUNTY PARKS COMMISSION

STATEMENT OF ACTIVITIES AND GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES/EXPENSES			
Current:			
Parks and recreation	\$ 70,372	\$ -	\$ 70,372
Parks and recreation capital outlay	1,986	(1,986)	-
	<u>72,358</u>	<u>(1,986)</u>	<u>70,372</u>
TOTAL EXPENDITURES/EXPENSES	<u>72,358</u>	<u>(1,986)</u>	<u>70,372</u>
PROGRAM REVENUES			
Charges for services	37,203	(20,143)	17,060
Operating grants and contributions	25,000	-	25,000
	<u>62,203</u>	<u>(20,143)</u>	<u>42,060</u>
TOTAL PROGRAM REVENUES	<u>62,203</u>	<u>(20,143)</u>	<u>42,060</u>
NET PROGRAM EXPENSES			<u>(28,312)</u>
GENERAL REVENUES			
Interest earned	594	-	594
	<u>(9,561)</u>	<u>9,561</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(9,561)</u>	<u>9,561</u>	<u>-</u>
CHANGES IN NET ASSETS	-	(27,718)	(27,718)
FUND BALANCE/NET ASSETS,			
Beginning of year	33,985	246,256	280,241
	<u>33,985</u>	<u>246,256</u>	<u>280,241</u>
FUND BALANCE/NET ASSETS, End of year	<u>\$ 24,424</u>	<u>\$ 228,099</u>	<u>\$ 252,523</u>

The accompanying notes are an integral part of these financial statements

HILLSDALE COUNTY PARKS COMMISSION

Reconciliation of the General Fund Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities

YEAR ENDED DECEMBER 31, 2004

Net change in fund balances - General Fund	\$ (9,561)
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Add - capital outlay	1,986
Deduct - depreciation expense	<u>(20,143)</u>
Change in net assets of governmental activities	<u><u>\$ (27,718)</u></u>

The accompanying notes are an integral part of these financial statements.

HILLSDALE COUNTY PARK COMMISSION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

Parks General Fund

For the Year Ended December 31, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Community Center and house rentals	\$ 17,700	\$ 17,500	\$ 16,987	\$ (513)
Interest on investments	1,000	600	594	(6)
Contribution from Hillsdale County - regular	35,000	25,000	25,000	-
Miscellaneous	21,000	23,100	20,216	(2,884)
Total revenues	<u>74,700</u>	<u>66,200</u>	<u>62,797</u>	<u>(3,403)</u>
Expenditures				
Maintenance and repairs	6,450	10,510	9,773	(737)
Operating	35,000	27,500	25,458	(2,042)
Community Center	23,800	22,200	18,717	(3,483)
Administrative	20,050	20,035	16,424	(3,611)
Capital outlay	16,000	2,240	1,986	(254)
Total expenditures	<u>101,300</u>	<u>82,485</u>	<u>72,358</u>	<u>(10,127)</u>
Net change in fund balances	<u>(26,600)</u>	<u>(16,285)</u>	<u>(9,561)</u>	<u>6,724</u>
Fund balance, beginning of year	<u>33,985</u>	<u>33,985</u>	<u>33,985</u>	<u>-</u>
Fund balance, end of year	<u>\$ 7,385</u>	<u>\$ 17,700</u>	<u>\$ 24,424</u>	<u>\$ 6,724</u>

The accompanying notes are an integral part of these financial statements.

HILLSDALE COUNTY PARK COMMISSION

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Hillsdale County Park Commission (the “Park Commission”) conform to generally accepted accounting principles as applied to governmental units. The following is a summary of the significant policies.

Reporting Entity

The Hillsdale County Park Commission, referred to as the Park Commission, is a Special Revenue Fund of the County of Hillsdale, Michigan (“County”), and is used to control the expenditure of revenues from state grants and contributions from other local units of government for work performed by the Park Commission.

Basis of Presentation

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government. *Governmental activities* are supported by charges for services and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Internally dedicated resources are reported as general revenues rather than as program revenues.

As permitted by GASB Statement No. 34, the Park Commission uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances. The general fund, the sole major governmental fund, is reported as a separate column in the aforementioned financial statements.

Measurement Focus Basis of Accounting and Financial Statement Presentation

The government-wide financial statements (statement of net assets and the statement of activity) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

HILLSDALE COUNTY PARK COMMISSION

NOTES TO FINANCIAL STATEMENTS

Governmental fund (general fund) financial statements (general fund balance sheet and general fund revenues, expenditures and changes in fund balance) are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences not expected to be paid in the current year and claims and judgments, are recorded only when payment is due.

State and grant revenue, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

This element of the government reporting unit reports the following major governmental fund:

The *parks general operating fund* is this reporting unit's primary operating fund. It accounts for specific revenue sources that are legally restricted to expenditures for the County Park System.

Budgetary Data

The governmental fund is under formal budgetary control. The budget shown in the financial statements is adopted on a basis consistent with generally accepted accounting principles (GAAP), and is not significantly different from the modified accrual basis used to reflect actual results, and consists only of those amounts contained in the formal budget as originally adopted or as amended by the Board of County Park Commissioners. The budget for the Special Revenue Fund is adopted on a functional basis.

Capital Assets

Capital assets, which include property and equipment, are reported in the government-wide statements (statement of net assets and statement of changes in net assets). Capital assets are defined by the Park Commission as assets with an initial cost of \$200 or more and an estimated life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date donated.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded as capital expenditures at the time of purchase in the fund financial statements (general fund balance sheet and statement of general fund revenues, expenditures and changes in fund balance) and are subsequently capitalized on the government-wide statements through an adjustment to the governmental fund (general fund) column.

The Park Commission provides for recording depreciation in the Parks Operating Fund as a charge to various expense accounts and a credit to the depreciation contra expense account. Accordingly, the annual depreciation expense does not affect the available operating fund balance of the General Operating Fund.

HILLSDALE COUNTY PARK COMMISSION

NOTES TO FINANCIAL STATEMENTS

Depreciation is recorded over the estimated useful lives (ranging from five to forty years) of the assets, using the straight-line method as follows:

	<u>Years</u>
Land improvements	10
Buildings	40
Equipment	5 to 10

2. CASH DEPOSITS AND INVESTMENTS

Deposits

At December 31, 2004, the amount of the Park Commission's deposits were as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Petty cash	\$ 20	\$ N/A
Held by Hillsdale County *		
Checking and savings accounts	<u>37,019</u>	<u>37,294</u>
	<u>\$ 37,039</u>	<u>\$ 37,294</u>

* Deposits of the Park Commission held by Hillsdale County may be partially covered by federal depository insurance. The amount of federal depository insurance is determined for the County as a whole, but cannot be separately identified for the Park Commission.

HILLSDALE COUNTY PARK COMMISSION

NOTES TO FINANCIAL STATEMENTS

3. CAPITAL ASSETS

Changes in the components of the capital assets are summarized as follows:

	Balance January 1, 2004	Additions	Deductions	Balance December 31, 2004
Capital assets not being depreciated:				
Land	\$ 3	\$ -	\$ -	\$ 3
Capital assets being depreciated:				
Land improvements	68,558	-	-	68,558
Buildings	319,126	369	-	319,495
Park equipment	19,789	1,078	-	20,867
Community Center Equipment	10,325	539	640	10,224
Subtotal	417,798	1,986	640	419,144
Accumulated depreciation:				
Land improvements	37,031	2,898	-	39,929
Buildings	119,486	13,482	-	132,968
Park equipment	6,637	3,128	-	9,765
Community Center Equipment	8,392	635	640	8,387
Total accumulated depreciation and depletion	171,546	20,143	640	191,049
Total capital assets being depreciated - net	246,252	(18,157)	-	228,096
Governmental activities capital assets - net	\$ 246,255	\$ (18,157)	\$ -	\$ 228,099

* * * * *

INTERNAL CONTROL AND COMPLIANCE



REHMANN ROBSON

Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

May 5, 2005

Members of the Board of County
Park Commissioners
County of Hillsdale, Michigan
Hillsdale, Michigan

We have audited the financial statements of the Hillsdale County Park Commission, a special revenue fund of Hillsdale County, as of and for the year ended December 31, 2004, and have issued our report thereon dated May 5, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hillsdale County Park Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hillsdale County Park Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*

This report is intended solely for the information and use of management, the Board of County Park Commissioners, the County's Board of Commissioners, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.